

**EXPLANATORY MEMORANDUM ON THE ENVIRONMENTAL LEVY ON  
CARBON EMISSIONS**

**AMENDMENT OF PARTS 1 AND 3F OF SCHEDULE NO. 1 AND PART 6 OF  
SCHEDULE 6 OF THE CUSTOMS AND EXCISE ACT, 1964**

The draft Schedule amendments include the following:

- Amendment of Part 1 of Schedule No. 1;
- Amendment of Part 3F of Schedule No. 1; and
- Amendment of Part 6 of Schedule No. 6;

**1. IMPLEMENTATION OF ENVIRONMENTAL LEVY ON CARBON  
EMISSIONS**

Government proposed the introduction of carbon tax as announced by the Minister of Finance in Budget Review 2015 and further outlined in Budget Review 2019. This tax gives effect to the polluter-pays principle. Carbon tax will assist in reducing emissions and ensuring that South Africa meets its commitments under the 2015 Paris Climate Agreement. The tax will come into effect on 1 June 2019.

**2. Amendments to the Carbon Tax emissions**

The proposed amendments mentioned in the following paragraphs are in respect of–

**2.1 Amendment of Part 1 to Schedule No. 1**

Additional Note 11 in Part 1 of Schedule No. 1 is being inserted to include the definition of carbon emissions.

The Additional Note will read as follows:

“11. For the purposes of this Chapter, “carbon emissions” means the carbon dioxide equivalent of greenhouse gas emissions as defined in the Carbon Tax Act”.

The following tariff subheading is inserted:

9903.00	Carbon emissions
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## **2.2 Amendment of Part 3F to Schedule No. 1**

Part 3F of Schedule No. 1 is inserted to provide for the environmental levy on carbon emission. Notes have been developed to assist in the administration of this levy.

The Notes will read as follows:

- “1. Any rate of environmental levy on carbon emissions specified in this Section shall apply to gas emissions resulting from activities conducted in the Republic.
2. Any environmental levy payable in terms of this Section in respect of carbon emissions specified therein shall be additional to any Customs and Excise duty payable in terms of Part 1 or 2 of Schedule No. 1 or any Section in this Part.
3. The amount of environmental levy payable on carbon emissions in terms of this Section shall be calculated as prescribed in section 6 of the Carbon Tax Act.
4. “Carbon emissions” where used in this Part means carbon emissions as defined in Additional Note 11 to Chapter 99 of Part 1 of Schedule No. 1.”

The following tariff item is inserted:

157.00/9903.00	Carbon emissions	R120/t CO2 emissions
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157.00/9903.00	Carbon emissions
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### 2.3 Amendment of Schedule No. 6

Part 6 of Schedule No. 6 is inserted to provide for rebates and refunds on carbon tax. Notes to Part 6 of Schedule No. 6 to institute control measures that will enable governance and administration of the proposed rebate items.

The following Notes are inserted-

- “1. The environmental levy on carbon emission payable in terms of Section F of Part 3 to Schedule No.1 shall be calculated in accordance with provisions of section 6 to the Carbon Tax Act.
- 2 The allowances specified in this Part may be offset on the account from the amount leviable in respect of the sum of emissions for the accounting period in which the emission occurred.
3. “Carbon emissions” where used in this Part means carbon emissions as defined in Additional Note 11 to Chapter 99 of Part 1 of Schedule No. 1.”

The following rebates items are inserted:

692.02/00.00/02.00	Basic tax free allowances for fossil fuel combustion emissions, subject to compliance with section 7 in Part II and section 14 in Part III of the Carbon Tax Act
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692.03/00.00/03.00	Basic tax free allowance for industrial process emissions, subject to compliance with section 8 in Part II and section 14 in Part III of the Carbon Tax Act
692.04/00.00/04.00	Fugitive emissions allowance, subject to compliance with section 9 in Part II and section 14 in Part III of the Carbon Tax Act
692.05/00.00/05.00	Trade exposure allowance, subject to compliance with section 10 in Part II and section 14 in Part III of the Carbon Tax Act
692.06/00.00/06.00	Performance allowance, subject to compliance with section 11 in Part II and section 14 in Part III of the Carbon Tax Act
692.07/00.00/07.00	Carbon budget allowance, subject to compliance with section 12 in Part II and section 14 in Part III of the Carbon Tax Act
692.08/00.00/08.00	Offsets allowance, subject to compliance with section 13 in Part II and section 14 in Part III of the Carbon Tax Act